

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
)	
vs.)	
)	
North Shore Gas Company)	
The Peoples Gas Light and Coke Company)	
)	
Reconciliation of Revenues Collected)	
under Riders EOA with the actual costs)	
associated with energy efficiency and)	
on-bill financing programs)	

DIRECT TESTIMONY
OF
LYNN M. HOSTY

- 1 Q. Please state your name and business address.
- 2 A. Lynn M. Hosty, 200 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC ("WBS").
- 5 Q. What position do you hold with WBS?
- 6 A. I am a Senior Rate Analyst in Gas Regulatory Services.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for performing activities related to rate research, rate
- 9 design, rate and tariff administration, and billing and rate impact studies for
- 10 Petitioner, The Peoples Gas Light and Coke Company ("Peoples Gas" or the
- 11 "Company"), and an affiliated company, North Shore Gas Company("North
- 12 Shore").

13 Q. Please summarize your educational background and experience.

14 A. In 1994, I graduated from Lewis University with a Bachelor of Arts Degree
 15 with majors in Accounting and Finance. I have been employed by WBS (formerly
 16 known as Integrys Business Support, LLC ("IBS")) in my current position since
 17 June 2015. I was employed by IBS from January 2014 through June 2015 as a
 18 Senior Rate Analyst and employed by Peoples Gas or its affiliates from 1994
 19 through 2014. I have been employed in various positions and levels of
 20 responsibility at Peoples Gas/IBS in the Accounting and Financial Departments.

21 Q. Please give a brief description of the operations and status of North Shore.

22 A. I am advised by counsel that North Shore is a corporation organized and
 23 existing under the laws of the State of Illinois, having its principal office at 200
 24 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of
 25 purchasing natural gas for and distributing and selling natural gas to
 26 approximately 159,000 customers in Cook and Lake Counties, Illinois. I am
 27 advised by counsel that North Shore is a public utility within the meaning of the
 28 Public Utilities Act.

29 Q. Please give a brief description of the operations and status of Peoples
 30 Gas.

31 A. I am advised by counsel that Peoples Gas is a corporation organized and
 32 existing under the laws of the State of Illinois, having its principal office at 200
 33 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of
 34 purchasing natural gas for and distributing and selling natural gas to
 35 approximately 828,000 customers in the City of Chicago. I am advised by

counsel that Peoples Gas is a public utility within the meaning of the Public Utilities Act.

Q. Please describe the subject matter of this proceeding.

A. North Shore's and Peoples Gas' Schedule of Rates for Gas Service each includes Rider EOA, Energy Efficiency and On-Bill Financing Adjustment. The Commission approved Rider EOA in Docket No. 10-0564. Rider EOA became effective June 20, 2011. Each year, Rider EOA calls for North Shore and Peoples Gas to file charges (called the "Effective Component") with the Commission. The Rider EOA Effective Component is a per-therm charge to recover the costs of the energy efficiency program and the On-Bill Financing ("OBF") program. The portions of the Effective Component associated with energy efficiency and OBF are based on the budgets from the second triennial plan filed with the Commission in Docket No. 13-0550. Rider EOA is applicable to all Service Classifications ("S.C."); however, for energy efficiency, certain large customers have been identified as "exempt" or "self-directing" by the Department of Commerce and Economic Development ("DCEO") per criteria set forth in Section 8-104(m) of the Public Utilities Act. Such customers are not subject to Rider EOA and do not participate in North Shore's and Peoples Gas' energy efficiency programs or the OBF program, which is directed to residential customers. For North Shore, there is a separate Effective Component for:

- S.C. No. 1, which includes amounts for Residential Energy Efficiency and OBF programs;

- 58 • S.C. No. 2, which includes amounts for Residential Energy Efficiency,
59 Commercial and Industrial Energy Efficiency, and OBF programs; and
- 60 • Combined S.C. Nos. 4, 5 and 7 (currently there are no customers
61 under S.C. Nos. 5 or 7), which includes amounts for Commercial and
62 Industrial Energy Efficiency programs.

63 For Peoples Gas, there is a separate Effective Component for:

- 64 • S.C. No. 1, which includes amounts for Residential Energy Efficiency
65 and OBF programs;
- 66 • S.C. No. 2, which includes amounts for Residential Energy Efficiency,
67 Commercial and Industrial Energy Efficiency, and OBF programs; and
- 68 • Combined S.C. Nos. 4, 5, 7 and 8, which includes amounts for
69 Commercial and Industrial Energy Efficiency programs.

70 Sections E of Riders EOA require North Shore and Peoples Gas,
71 beginning in 2012, to file annually no later than August 31 a reconciliation of
72 amounts billed in the Previous Program Year to the actual costs, as well as
73 Reconciliation Adjustments (“RA”) for any amounts over or under collected from
74 customers per the reconciliation. Such Reconciliation Adjustments would apply
75 to the nine-month reconciliation amortization period beginning September 1.
76 This reconciliation also includes a reconciliation of amounts collected or refunded
77 through the previous year’s RA.

78 Sections E of Riders EOA also require that the Commission initiate an
79 annual review. On the later of August 31 or the date set forth in the
80 Commission’s order initiating a review, North Shore and Peoples Gas must file

testimony addressing its reconciliation statement and the prudence and reasonableness of costs incurred and recovered under Rider EOA during the Program Year that is the subject of the reconciliation statement. My testimony addresses the reconciliation statement. Testimony of North Shore and Peoples Gas witness Mrs. Paige Knutsen (NS-PGL Ex. 2.0) addresses the energy efficiency plan, programs implemented in the fourth program year, reasonableness and prudence of costs incurred, and costs incurred under the OBF program.

Q. Please describe the period that will be reconciled.

A. Rider EOA requires a reconciliation of revenues for each Program Period, which is the twelve-month period beginning June 1. Accordingly, the reconciliation period, which is the subject of my testimony, is for the Program Period June 1, 2014, through May 31, 2015.

Q. Has North Shore and Peoples Gas published public notice as required in the Order in Docket No. 13-0611?

A. Yes. Public notice was published timely in the Lake County News-Sun and Chicago Tribune.

North Shore Gas Company Reconciliation Statement

Q. Please describe NS-PGL Ex. 1.1N.

A. NS-PGL Ex. 1.1N is a statement of the RA components that will apply for each month of the nine-month reconciliation amortization period beginning September 1, 2015 and ending May 31, 2016 ("Statement") for S.C. Nos. 1 through 7.

104 Q. Was the Statement prepared under your supervision and direction?

105 A. Yes, it was.

106 Q. What is the purpose of the Statement?

107 A. The Statement shows the applicable RA for customers served under North
108 Shore's S.C. Nos. 1, 2 and combined 2, 4, 5 and 7 who are not classified as
109 exempt or self-directing, for the North Shore and DCEO programs. It also shows
110 the derivation of each RA component and provides supporting data.

111 Q. Why is the DCEO program relevant to your testimony?

112 A. Rider EOA is the funding mechanism for both North Shore's and DCEO's
113 energy efficiency programs. Under the law, DCEO, subject to meeting certain
114 requirements, is entitled to a portion of the available funding under Rider EOA.
115 DCEO plays no role in the OBF program.

116 Q. Please describe the elements of the Statement.

117 A. In general, the Statement includes the following information:

- 118 • Page 1 shows the RA that will be billed over the nine-month reconciliation
119 amortization period beginning September 1, 2015 for each Service
120 Classification. The RA represents per-therm charges or refunds.
- 121 • Pages 2 through 4 show the determination of the RA as described under
122 Section D(2) of Rider EOA for S.C. Nos. 1 and 2 for residential programs,
123 and combined S.C. Nos. 2, 4, 5 and 7 for commercial and industrial
124 programs. Column [B] for each page represents North Shore calculations,
125 Column [C] represents DCEO calculations, and Column [D] represents
126 calculations combining North Shore and DCEO.

- Page 2 shows the determination of the RA for S.C. No. 1

Lines 2 through 13 represent the calculation of the Total Reconciliation Dollar amounts, including Interest, for Residential Energy Efficiency. This amount, shown on Line 13, is the result of deducting EOA Revenues (EREV) from EOA Expenses (EEXP), adding the RA amount for the previous program year RA to be recovered or refunded (ERA2), adding the applicable Interest, and adding the Factor O adjustment per the Order in Docket No. 13-0611. For calendar year 2015, the applicable interest rate established by the Commission is 0.0% pursuant to the order in Docket No. 14-0742. Line 14 represents the dollars-per-therm RA. It is derived by dividing the Total Reconciliation Dollar amount on Line 13 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 3) that the RA will be in effect. An RA must calculate to \$0.0001 per therm or more for North Shore to include it on customer bills.

Lines 16 through 27 represent the calculation of the Total Reconciliation Dollar amounts, including Interest, for the portion of Rider EOA attributable to OBF. This amount, shown on Line 27, is the result of deducting EOA Revenues related to OBF (OREV) from EOA Expenses related to OBF (OEXP), adding the RA related to OBF to be recovered or refunded for the previous program year RA (ORA2), adding the applicable Interest, and if any, adding the Factor O adjustment per the Order in Docket No. 13-0611. Line 28 represents the dollars-per-therm RA. It is

derived by dividing the Total Reconciliation Dollar amount on Line 27 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 17) that the RA will be in effect.

Similar calculations are performed for S.C. No. 2 Residential Energy Efficiency and OBF on Page 3, and combined S.C. Nos. 2, 4, 5 and 7 Commercial and Industrial Energy Efficiency on Page 4.

- Page 5 shows the North Shore program aggregation of monthly EOA Expenses (EEXP and OEXP), Revenues (EREV and OREV) and previous program year Reconciliation Adjustment (ERA1 and ORA1) amounts recovered or refunded. EEXP and OEXP represent the actual amount of expenses incurred by North Shore during the previous Program Period for energy efficiency and OBF. EREV represents 75% of billed revenues arising from application of the Effective Component during the previous Program Period for energy efficiency that are applicable to North Shore as allowed under the Rider. OREV represents billed revenues for OBF. The Reconciliation Adjustment ERA1 and ORA1 amounts represent the amounts collected or refunded during the previous reconciliation amortization period arising from the application of the RA from the Previous Program Period for energy efficiency and OBF. The totals for Expenses, Revenues, and RA amounts for each applicable service classification are shown on Line 15 for Residential Energy Efficiency, Line 31 for Commercial and Industrial Energy Efficiency, and Line 47 for OBF.

- Page 6 shows the DCEO program aggregation of monthly EOA Expenses (EEXP), Revenues (EREV) and previous program year Reconciliation Adjustment (RA1) Amounts recovered or refunded. EEXP represents the actual amount of expenses accrued by the DCEO during the previous Program Period. EREV represents 25% of billed revenues arising from application of the Effective Component during the previous Program Period for energy efficiency that are applicable to DCEO as allowed under the Rider. The Reconciliation Adjustment RA1 Amounts represent the amounts collected or refunded during the previous reconciliation amortization period arising from the application of the RA from the Previous Program Period. The totals for EEPE, EEPR, and RA Amounts for each applicable service classification are shown on Line 15 for Residential Energy Efficiency and Line 31 for Commercial and Industrial Energy Efficiency.
- Page 7 shows the forecasted total therm deliveries for the reconciliation amortization period of September 2015 through May 2016. The total therm deliveries for S.C. No. 2 and combined S.C. Nos. 4, 5 and 7 are adjusted to exclude therm deliveries to individual customers reported by DCEO as exempt or self-directing who are not subject to Rider EOA. Therm totals used in calculations of per-therm charges are:

 - Column C, Line 10 for S.C. No. 1 residential programs;
 - Column F, Line 10 for S.C. No. 2 residential programs; and

194 Columns F + I, Line 10 for combined S.C. Nos. 2, 4, 5 and 7

195 commercial and industrial programs.

196 Q. How much was calculated as refundable or recoverable from S.C. No. 1
197 customers over the nine-month period beginning September 1, 2015, for
198 residential energy efficiency and OBF?

199 A. As shown on NS-PGL Ex. 1.1N, the reconciliation result is a refund of
200 \$221,169.49 to customers (NS-PGL Ex. 1.1N, Page 2, Column D, Line 13 plus
201 Line 27)

202 Q. What is the RA component that will be effective for S.C. No. 1 beginning
203 September 1, 2015?

204 A. The RA component for S.C. No. 1 customers will be a refund of \$0.0012
205 per therm (NS-PGL Ex. 1.1N, Page 1, Column B, Line 4).

206 Q. Are dollar amounts refundable or recoverable broken out separately for
207 North Shore and DCEO?

208 A. Yes. Pages 2, 3 and 4 of the Statement show calculations for North
209 Shore, DCEO, and in Total.

210 Q. How much was calculated as refundable or recoverable from S.C. No. 2
211 customers over the nine-month period beginning September 1, 2015, for
212 residential energy efficiency and OBF?

213 A. As shown on NS-PGL Ex.1.1N the reconciliation results in a refund of
214 \$672,550.13 to customers (NS-PGL Ex. 1.1N, Page 3, Column D, Line 13 plus
215 Line 27).

216 Q. How much was calculated as refundable or recoverable from combined
217 S.C. Nos. 2, 4, 5 and 7 customers over the nine-month period beginning
218 September 1, 2015, for commercial and industrial energy efficiency programs?

219 A. As shown on NS-PGL Ex.1.1N the reconciliation results in a recovery of
220 \$162,824.34 to customers (NS-PGL Ex. 1.1N, Page 4, Column D, Line 13).

221 Q. What is the RA component that will be effective for S.C. No. 2 beginning
222 September 1, 2015, for residential, commercial and industrial energy efficiency
223 and OBF?

224 A. The RA component for S.C. No. 2 customers will be a refund of \$0.0056
225 per therm (NS-PGL Ex. 1.1N, Page 1, Column C, Line 4).

226 Q. What is the RA component that will be effective for S.C. Nos. 4, 5, and 7
227 beginning September 1, 2015, for commercial and industrial energy efficiency?

228 A. The RA component for S.C. Nos. 4, 5 and 7 customers will be a recovery
229 of \$0.0014 per therm (NS-PGL Ex. 1.1N, Page 1, Column D, Line 4).

230 Q. Please describe how the RA components will be included on customers'
231 bills.

232 A. The RA components were filed with the Commission on Information Sheet
233 No. 12 and are added to the Effective Component adjustment amounts for the
234 fifth program year and billed as a single adjustment for each service classification
235 effective September 1, 2015 .

236 **The Peoples Gas Light and Coke Company Reconciliation Statement**

237 Q. Please describe NS-PGL Ex. 1.1P.

238 A. NS-PGL Ex. 1.1P is a statement of the RA components that will apply for
 239 each month of the nine-month reconciliation amortization period beginning
 240 September 1, 2015, and ending May 31, 2016 ("Statement") for S.C. Nos. 1
 241 through 8.

242 Q. Was the Statement prepared under your supervision and direction?

243 A. Yes, it was.

244 Q. What is the purpose of the Statement?

245 A. The Statement shows the applicable RA for customers served under
 246 Peoples Gas' S.C. Nos. 1, 2 and combined 2, 4, 5, 7 and 8 who are not classified
 247 as exempt or self-directing, for the Peoples Gas and DCEO programs. It also
 248 shows the derivation of each RA component and provides supporting data.

249 Q. Why is the DCEO program relevant to your testimony?

250 A. Rider EOA is the funding mechanism for both Peoples Gas' and DCEO's
 251 energy efficiency programs. Under the law, DCEO, subject to meeting certain
 252 requirements, is entitled to a portion of the available funding under Rider EOA.
 253 DCEO plays no role in the OBF program.

254 Q. Please describe the elements of the Statement.

255 A. In general, the Statement includes the following information:

- 256 • Page 1 shows the RA that will be billed over the nine-month reconciliation
 257 amortization period beginning September 1, 2015, for each Service
 258 Classification. The RA represents per-therm charges or refunds.
- 259 • Pages 2 through 4 show the determination of the RA as described under
 260 Section D(2) of Rider EOA for S.C. Nos. 1 and 2 for residential programs,

and combined S.C. Nos. 2, 4, 5, 7 and 8 for commercial and industrial programs. Column [B] for each page represents Peoples Gas calculations, Column [C] represents DCEO calculations, and Column [D] represents calculations combining Peoples Gas and DCEO.

- Page 2 shows the determination of the RA for S.C. No. 1

Lines 2 through 13 represent the calculation of the Total Reconciliation Dollar amounts, including Interest, for Residential Energy Efficiency. This amount, shown on Line 13, is the result of deducting EOA Revenues (EREV) from EOA Expenses (EEXP), adding the RA amount for the previous program year RA to be recovered or refunded (ERA2), adding the applicable Interest, and adding the Factor O adjustment per the Order in Docket No. 13-0611, if any. For calendar year 2015, the applicable interest rate established by the Commission is 0.0% pursuant to the order in Docket No. 14-0742. Line 14 represents the dollars-per-therm RA. It is derived by dividing the Total Reconciliation Dollar amount on Line 13 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 3) that the RA will be in effect. An RA must calculate to \$0.0001 per therm or more for Peoples Gas to include it on customer bills.

Lines 16 through 27 represent the calculation of the Total Reconciliation Dollar amounts, including Interest, for the portion of Rider EOA attributable to OBF. This amount, shown on Line 27, is the result of deducting EOA Revenues related to OBF (OREV) from EOA Expenses

related to OBF (OEXP), adding the RA related to OBF to be recovered or refunded for the previous reconciliation amortization period (ORA2), adding the applicable Interest, and adding the Factor O adjustment per the Order in Docket No. 13-0611, if any. Line 28 represents the dollars-per-therm RA. It is derived by dividing the Total Reconciliation Dollar amount on Line 27 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 17) that the RA will be in effect.

Similar calculations are performed for S.C. No. 2 Residential Energy Efficiency and OBF on Page 3, and combined 2, 4, 5, 7 and 8 Commercial and Industrial Energy Efficiency on Page 4.

- Page 5 shows the Peoples Gas program aggregation of monthly EOA Expenses (EEXP and OEXP), Revenues (EREV and OREV) and previous reconciliation amortization period Reconciliation Adjustment (ERA1 and ORA1) amounts recovered or refunded. EEXP and OEXP represent the actual amount of expenses incurred by Peoples Gas during the previous Program Period for energy efficiency and OBF. EREV represents 75% of billed revenues arising from application of the Effective Component during the previous Program Period for energy efficiency that are applicable to Peoples Gas as allowed under the Rider. OREV represents billed revenues for OBF. The Reconciliation Adjustment ERA1 and ORA1 amounts represent the amounts collected or refunded during the previous Program Period arising from the application of the RA from the Previous Program Period for energy efficiency and OBF. The totals for Expenses,

307 Revenues, and RA amounts for each applicable service classification are
 308 shown on Line 15 for Residential Energy Efficiency, Line 31 for
 309 Commercial and Industrial Energy Efficiency, and Line 47 for OBF.

- 310 • Page 6 shows the DCEO program aggregation of monthly EOA Expenses
 311 (EEXP), Revenues (EREV) and Reconciliation Adjustment (RA1) Amounts
 312 recovered or refunded. EEXP represents the actual amount of expenses
 313 accrued by the DCEO during the previous Program Period. EREV
 314 represents 25% of billed revenues arising from application of the Effective
 315 Component during the previous Program Period for energy efficiency that
 316 are applicable to DCEO as allowed under the Rider. The Reconciliation
 317 Adjustment RA1 Amounts represent the amounts collected or refunded
 318 during the previous Program Period arising from the application of the RA
 319 from the Previous Program Period. The totals for EEPE, EEPR, and RA1
 320 Amounts for each applicable service classification are shown on Line 15
 321 for Residential Energy Efficiency and Line 30 for Commercial and
 322 Industrial Energy Efficiency.
- 323 • Page 7 shows the forecasted total therm deliveries for the reconciliation
 324 amortization period of September 2015 through May 2016. The total
 325 therm deliveries for S.C. No. 2 and combined S.C. Nos. 4, 5, 7 and 8 are
 326 adjusted to exclude therm deliveries to individual customers reported by
 327 DCEO as exempt or self-directing who are not subject to Rider EOA.
 328 Therm totals used in calculations of per-therm charges are:
 329 Column C, Line 10 for S.C. No. 1 residential programs;

330 Column F, Line 10 for S.C. No. 2 residential programs; and
 331 Columns F + I, Line 10 for combined S.C. Nos. 2, 4, 5, 7 and 8 for
 332 commercial and industrial programs.

333 Q. How much was calculated as refundable or recoverable from S.C. No. 1
 334 customers over the nine-month period beginning September 1, 2015, for
 335 residential energy efficiency and OBF?

336 A. As shown on NS-PGL Ex.1.1P the reconciliation result is a refund of
 337 \$3,044,341.41 to customers (NS-PGL Ex. 1.1P, Page 2, Column D, Line 13 plus
 338 Line 27).

339 Q. What is the RA component that will be effective for S.C. No. 1 beginning
 340 September 1, 2015?

341 A. The RA component for S.C. No. 1 customers will be a refund of \$0.0045
 342 per therm (NS-PGL Ex. 1.1P, Page 1, Column B, Line 4)

343 Q. Are dollar amounts refundable or recoverable broken out separately for
 344 Peoples Gas and DCEO?

345 A. Yes. Pages 2, 3 and 4 of the Statement show calculations for Peoples
 346 Gas, DCEO, and in Total.

347 Q. How much was calculated as refundable or recoverable from S.C. No. 2
 348 customers over the nine-month period beginning September 1, 2015, for
 349 residential energy efficiency and OBF?

350 A. As shown on NS-PGL Ex.1.1P the reconciliation results in a recovery of
 351 \$417,981.06 to customers (NS-PGL Ex. 1.1P, Page 3, Column D, Line 13 plus
 352 Line 27).

353 Q How much was calculated as refundable or recoverable from combined
354 S.C. Nos. 2, 4, 5, 7 and 8 customers over the nine-month period beginning
355 September 1, 2015, for commercial and industrial energy efficiency programs?

356 A. As shown on NS-PGL Ex.1.1P the reconciliation result is a refund of
357 \$4,038,320.35 to customers (NS-PGL Ex. 1.1P, Page 4, Column D, Line 13).

358 Q. What is the RA component that will be effective for S.C. No. 2 beginning
359 September 1, 2015, for residential, commercial and industrial energy efficiency
360 and OBF?

361 A. The RA component for S.C. No. 2 customers will be a refund of \$0.0039
362 per therm (NS-PGL Ex. 1.1P, Page 1, Column C, Line 4).

363 Q. What is the RA component that will be effective for S.C. Nos. 4, 5, 7 and 8
364 beginning September 1, 2015, for commercial and industrial energy efficiency?

365 A. The RA component for S.C. Nos. 4, 5, 7 and 8 customers will be a refund
366 of \$0.0046 per therm (NS-PGL Ex. 1.1P, Page 1, Column D, Line 4).

367 Q. Please describe how the RA components will be included on customers'
368 bills.

369 A. The RA components were filed with the Commission on Information Sheet
370 No. 11 and are added to the Effective Component adjustment amounts for the
371 fifth program year and billed as a single adjustment for each service classification
372 effective September 1, 2015 .

373 Q. Does this conclude your direct testimony?

374 A. Yes, it does.